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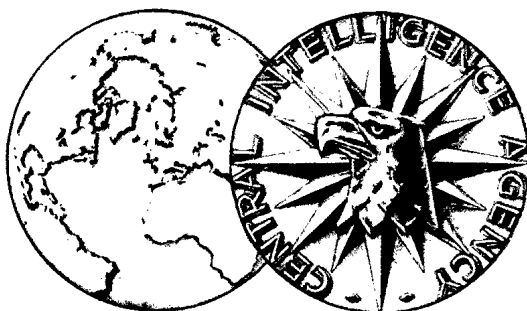
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REVIEW OF THE WORLD SITUATION



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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

SUMMARY

1. US security interests may, in the long run, be materially advanced as a result of the Schuman plan to pool the European coal and steel industries and the North Atlantic alliance plan to form "balanced collective defense forces." While the feasibility of these plans cannot yet be estimated, they will, if actually carried out, be the most concrete steps yet taken toward military security and economic strength for the North Atlantic community as a whole. If fully implemented, the "balanced collective force" principle would make the individual national military forces of the North Atlantic nations literally incapable of independent military action. Enunciation and tentative acceptance of these proposals by responsible leaders demonstrates that there is support in Western Europe for regional cooperation even, if necessary, at some sacrifice of national sovereignty or at least some limitation of political freedom of action.

Despite tentative approval of these plans, the Western European nations will have to overcome many obstacles. Outstanding among them is West European fear that the cost of rearmament may cut into projected increases in standards of living and social service programs. There is also concern lest the US convert the North Atlantic Treaty into an alliance in preparation for an early war rather than a commitment designed to deter the USSR from war.

The "third force" idea, which has been criticized as incompatible with North Atlantic

Treaty objectives, is not a serious problem for the North Atlantic alliance for the time being.

2. The USSR has not renewed a single comprehensive trade agreement with a Western nation during 1950, probably because Soviet attention has been concentrated on purchasing strategic commodities which cannot easily be supplied through formal trade channels.

3. Recent indications of a more vigorous Western approach to the Near and Middle East are of particular significance in view of increasing Soviet interest in the area.

4. In Japan, the anti-Communist position of the Western Powers has been strengthened, at least temporarily, as a result of the 4 June election for the upper house of the Japanese Diet.

5. In China, current trends and circumstances clearly favor consolidation of Soviet control, although transformation of the entire country into a full-fledged Soviet Satellite probably will be a long and involved process.

6. Two international conferences met during May in Australia and the Philippines to consider the problem of cooperation among the non-Communist powers in South Asia but failed to take any strong concerted action.

7. As the UN impasse over Chinese representation enters its sixth month, it seems likely that the walkout by the Soviet bloc will be extended to the September session of the General Assembly.

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The information contained herein is as of 9 June 1950.

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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

1. North Atlantic Community.

The series of meetings held in May 1950 by the foreign ministers of the North Atlantic Treaty nations have produced the most tangible evidence to date that the Western Powers may actually sacrifice some of their national sovereignty, or at least their political freedom of action, in the interests of the military security and economic development of the North Atlantic community as a whole. The foreign ministers not only took steps to develop and tighten the machinery of collaboration under the North Atlantic Treaty Organization, but also tentatively approved two revolutionary proposals that may in time give substance to the hitherto somewhat abstract concept of regional community of interest among the Western European and North Atlantic nations. The two proposals were, first, the Schuman plan for pooling the European coal and steel industries, and second, the US-sponsored plan for developing "balanced collective forces" for the defense of Western Europe. The feasibility of these proposals, of course, can be estimated only as detailed plans for carrying them out are evolved in ensuing months.

a. Schuman Proposal.

The Schuman proposal is the most concrete suggestion yet offered for guaranteeing Franco-German collaboration in pursuit of the general strategic objectives of the West European-North Atlantic community. The fact that the French Government considered it politically feasible to advance the proposal, as well as the fact that the Adenauer Government enthusiastically endorsed it, indicates that there is support in Western Europe for bold moves toward regional unification even if they involve limitations on national sovereignty. If a continental coal and steel authority can successfully stabilize the heavy

industries and at the same time increase rather than restrict production and productivity, long-run increases in standards of living may be appreciable. The interlocking of heavy industry would go a long way toward automatically making France and Germany politically dependent on one another. If the pool ever became firmly established on the continent, the UK, at present remaining aloof, would probably be forced in self-protection to join. This in turn would increase the economic strength and political unity of Western Europe, which is the prime objective in North Atlantic strategy. Although many local vested interests will oppose the actual development of the Schuman idea, the mere acceptance of the principle by France, the Benelux countries, and Italy will add momentum to the drive toward regional cooperation in Europe. It also demonstrates that there is still political vigor and a stubborn will to survive on the part of West Europeans.

b. Balanced Collective Forces.

While the Schuman plan testifies that there are responsible Continental Europeans who place economic and political unity above national sovereignty, the acceptance of the principle of balanced collective forces underlines the willingness of the nations of the entire North Atlantic community to commit themselves to the concept of military interdependence of the area, which inevitably involves restrictions on their individual political freedom of action. If this principle is implemented, each North Atlantic Treaty nation will put primary emphasis on developing the kinds of military forces (whether ground, sea, or air) which it is best equipped to produce in terms of the defense requirements of the region as a whole. Under these circumstances, considering differences in geographic position and strength, most nations operating on this

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basis would eventually have a heavy specialized concentration in some particular kinds of weapons rather than the balanced forces suitable for protecting purely national interests. In time, the individual national forces of the North Atlantic community, particularly those of the continental nations preparing against the need to face the powerful Soviet ground armies, would be so interdependent as to be literally incapable of separate military action on a major scale.

The implementation of this principle, therefore, would mean that all members of the North Atlantic community would be committed unreservedly and irrevocably to support any individual member that might be attacked. A condition of fact would then exist that would be far more binding than any treaty obligations and would eliminate any freedom of action of either governments or parliamentary bodies in the face of Soviet attack. Similarly this condition of fact would necessarily, in time of peace, force the individual member nations to defer in some degree at least to the collective view in dealing with the Soviet Union.

This broad principle was accepted mainly on the grounds that only through "balanced collective forces," as opposed to "balanced national forces," could the strength of the Western Powers be built up to the point of deterring or successfully meeting Soviet aggression without sacrificing economic stability or lowering standards of living. The lack of serious controversy on this issue is further evidence that traditional European preoccupation with national sovereignty may not prove to be an insurmountable obstacle in the path of North Atlantic efforts to create strength through unity. Whether support for the implementation of these two revolutionary principles can overcome the force of special preoccupations and traditional molds of thought that will oppose them cannot at present be predicted with any assurance.

c. Defense versus Economic Welfare.

The most serious unresolved issue that the North Atlantic community eventually must face was touched on very lightly in the London conferences. This issue arises from the possibility that formation of an effective mili-

tary defense establishment will require an increase in West European military budgets and a corresponding limitation on much-desired increases in standards of living and government expenditures for social services. In France, in particular, where there is still a tight labor market, there will be considerable resistance to any acceleration of the defense program that cuts into the projected economic and social program. The UK also is hesitant to take any risks of undermining full employment and the social services to which both Labor and Conservatives are committed.

As yet the issue of defense versus economic welfare is not clear-cut because there has been no forecast of the costs of preparing a "balanced collective" defense of Western Europe by North Atlantic forces armed with the most modern US defensive weapons. If and when considerable interference with the economic development of the civilian economies is required of the West European nations, the North Atlantic alliance will face a delicate, difficult task in putting the defensive coalition on a sound military basis without destroying the political stability and will to resist of the very nations closest to Soviet guns. Already there exists in these countries a perceptible undertone of fear that the US is converting the North Atlantic Treaty into an agreement to prepare for war forthwith rather than a defensive commitment designed to deter the USSR from beginning a war. A majority of responsible Europeans will fully support the strengthening of North Atlantic defense forces only if they believe rearmament is a calculated investment in peace rather than war, and if it does not bring about economic and social discontents capable of undermining the continental governments committed to full cooperation with the US.

d. The "Third Force."

A note of apparent discord was sounded when several West European leaders, most notably West German Chancellor Adenauer, returned to the well-worn theme of striving to create a "third force" in Europe strong enough to avert war by throwing its weight in the balance against any aggressive power whenever hostilities threatened. There has been some criticism of this theme as incompatible

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with the North Atlantic community ideal. The concept does have an outward similarity to the defeatist feeling of "neutrality" or "plague-on-both-your-houses" that has been voiced increasingly of late in France and Germany. The "third force" idea, however, is, in its essential character, altogether different from "neutrality." It is basically constructive, aiming at the creation of an economically independent power-grouping in Western Europe sufficiently strong to redress the balance of world power. This reconstruction of Western Europe is precisely the strategic aim that has led the US into the European Recovery Program and the North Atlantic Treaty. For some time to come the steps required to build a "third force" would be almost identical with most of the steps required to build an effective continental European component of the Atlantic community. Only if the "third force" concept is captured by narrowly nationalist political groups and used as a reason for resisting the formation of balanced collective forces will it be damaging to North Atlantic security programs.

While the "third force" idea might ultimately lead to nationalistic non-cooperation, it is not, at this stage of development, incompatible with US or North Atlantic strategic objectives. It is primarily a reflection of a natural European desire to be strong and independent not only of Soviet domination but also of US aid. The reappearance of the "third force" theme at the time of the reinvigoration of the North Atlantic Treaty Organization and the announcement of the Schuman proposal was not sheer coincidence. It was rather a sign of renewing hope among continental Europeans that action in the interests of common defense might preserve Europe and eventually—but not soon by any realistic calculations—restore its strength to the point of establishing a "third force."

2. East-West Trade.

In spite of frequent Soviet pronouncements in favor of expanded East-West trade, the USSR has not renewed a single comprehensive trade agreement with a Western nation during 1950. The USSR may possibly be waiting for its bargaining position to improve as Western European needs for markets and for non-dollar

sources of raw materials increase. It is more probable, however, that Soviet attention has focused on purchasing through private or clandestine channels the strategic commodities which Western European governments, for security reasons, are reluctant to agree to supply through formal trade agreements.

Western export controls, even though not yet fully in force, have posed a serious problem for the Soviet orbit because Western supplies of industrial equipment and materials are important to the economic development plans of the Soviet Union. Because the USSR has failed to obtain certain strategic goods during recent negotiations with Western European governments, it has found, perhaps, temporarily, that it is more expedient to ignore Western European governments and deal directly or indirectly with Western business interests. In this manner, the USSR has been able to maintain, to a considerable extent, its purchasing program of strategically important Western commodities on a "spot cash" basis. The USSR has accomplished this frequently in circumvention of export controls. In addition, the Soviet area has shown particular interest in acquiring strategic materials and equipment in West Germany, where the enforcement of export controls is most difficult and where the pressure to export eastward has been developing.

Western European trade negotiations with the Satellites, in contrast to those with the Soviet Union, have resulted in the renewal of trade agreements for 1950, although the trend is toward a reduced volume. This reduction is attributable mainly to the decrease in satellite supplies available for trading purposes. Increasing Soviet demands on satellite production and organizational difficulties, arising from the intensified rate of Soviet economic consolidation, have contributed to the deterioration of the Satellites' export capabilities to the West. The drive for closer economic coordination among the Soviet orbit countries, under the auspices of the Soviet-directed CEMA, indicates a continued relatively low level of satellite trade with the West. Moreover, increased Western production is reducing the demand for the satellite goods that are available.

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Although Soviet industry continues to be handicapped by shortages of manufactures and raw materials, the USSR may feel that its economic position can be maintained for some time even with reduced imports of Western strategic products. Furthermore, the USSR probably anticipates that its refusal to make arrangements for the import of non-strategic goods will contribute to the economic difficulties in Western Europe which will increase the pressure to abandon export controls.

3. Soviet Activity in Near and Middle East.

Although the Western Powers devoted their primary attention to European affairs during the London meetings in May, they did not neglect the Near and Middle East. The US, the UK, and France issued a declaration on 26 May asserting their willingness to supply the Arab states and Israel with arms for internal security and self-defense on the condition that the recipients agree to a pledge of non-aggression. In addition, the three powers declared that they would take immediate action to prevent any threat to present frontiers or armistice lines in the area. Also, the US announced that military aid was being dispatched to Iran and that a US mission was being sent there to develop an economic assistance program.

The US moves with respect to Iran should, if promptly implemented, provide for the Iranians the moral support and tangible assistance required to prevent further social and political disintegration which has been aggravated by revitalization of the Tudeh Party and the incapacity of the present government. As Iranian instability decreases, the US security position will improve. It appears likely, however, that the need for a US commitment in Iran will be a long-term one, not only because of Iran's precarious strategic position (which demands continuing attention) but also because of the time which will probably be required to develop a responsible government possessing the confidence of the country.

These indications of a more vigorous Western approach to the Near and Middle East are of particular significance in view of recent indications of increasing Soviet interest in the area. Soviet diplomacy has recently made a variety of moves apparently designed to promote more friendly relations, particularly

with the Arab states, where there has been a revival of anti-US sentiment. Public figures in Egypt and Syria have been urging in the past few months that the Arab states establish closer relations with the USSR. In addition, the USSR has concluded a barter trade agreement with Egypt, and may have offered economic assistance to Syria and Afghanistan. On the cultural level, Moscow is now promoting closer relations with the Eastern Orthodox Churches in the Near East in order to offset Vatican influence.

The local Communist parties also have been increasing their activity in Iran, Syria, and Lebanon, probably to further the Soviet-inspired resurgence of Communism in the Near and Middle East. Party reorganization and centralization, backed by larger subsidies from the USSR, have reinvigorated Communist activities in these countries. In Israel, however, Ben Gurion's unyielding position has prevented the Israeli Communist Party from making progress despite the fact that the USSR, by reversing its stand on the internationalization of Jerusalem on 17 April, attempted to gain greater popularity for the Israeli Communist Party. In Iraq and Egypt, continued repressive measures against the local Communists are making party operations exceedingly difficult.

4. Elections in Japan.

In Japan, the anti-Communist position of the Western Powers has been strengthened, at least temporarily, as a result of the 4 June election for the upper house of the Japanese Diet. By supporting Yoshida's conservative party—the only one willing to advocate a separate Japanese treaty with the West—most of the Japanese people have indicated their reluctant acceptance of US protection against a potential Soviet threat to their security. The Japanese electorate appears to have recognized, for the most part, that it is illusory at present to favor a policy of neutrality in the current global situation.

Increasing Soviet power in the Far East, both military and economic, has forced the Japanese to regard US support as a necessity. Nevertheless, most Japanese still hope that this can be achieved without granting to the US the use of air and naval bases in Japan

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proper. Even in Yoshida's Liberal Party only a limited group has taken the practical position that US security guarantees inevitably imply the continued presence of US armed forces.

As a result of recent Communist-inspired violence, the government has indicated its intention to outlaw the Japanese Communist Party even though the Communists have lost considerable popular support during the past year. The party's instigation of labor violence last summer, together with the increasing influence of moderate elements in the Japanese labor unions, has weakened its position among industrial and government workers. Soviet attacks on the Emperor, Soviet determination to retain the Kuriles, and Soviet callousness in the repatriation of Japanese prisoners of war have offended Japanese national sentiment. Nevertheless, the current austerity program, accompanied by greater unemployment, has created conditions which the Japanese Communists will continue to exploit.

Despite the election results, the Japanese people have not yet indicated any definite pro-US sentiment. As the US reduces its economic support in the future, the Japanese will be forced to increase their trading relationship with the Asiatic continent, which supplied its food, raw materials and markets in the prewar period. If this economic relationship is resumed, Japan will become more vulnerable to Communist penetration and subversion.

5. Sino-Soviet Developments.

In China, Soviet policy is currently directed toward creating a situation that will preclude any possibility of the Chinese Communists asserting their independence from the Soviet bloc. The USSR undoubtedly assumes that, since the Chinese Communist program depends on Soviet aid, the Peiping regime will not resist Soviet penetration.

At present, several thousand Soviet officials, ranging from top policy advisers to minor technicians, are believed to be attached to important elements of the Chinese Communist administrative, military, economic, and party organization. In most important policy matters, Soviet "advice" to the Chinese probably is channeled through a small Soviet liaison

mission, located in Peiping, whose members consult with the leaders of the Chinese Communist Party. Thus far the Party's leaders have faithfully adhered to Moscow's policy. The USSR is no doubt currently inciting the Chinese Communist Party to eliminate its anti-Stalinist elements. Also, it is likely that the membership of the Chinese Communist Party, now less than one percent of the population, will be greatly increased under Soviet supervision and will thus provide a pro-Soviet base for the Party.

Soviet military personnel are providing the Chinese with assistance in training and operational planning while Soviet state security officials are forming a Chinese Communist security organization, probably under the guidance of Soviet security police.

Economically, Soviet influence has been increased primarily by: (1) the realignment of China's foreign trade with the Soviet area instead of China's traditional trading partners among the Western nations; and (2) the presence of Soviet technical advisers in some of China's industries and railroads.

Thus, current trends and circumstances clearly favor consolidation of Soviet control in China. The Kremlin, however, for strategic and economic reasons, probably will concentrate on the control and the development along Soviet lines of the areas particularly valuable to it—North China and the areas bordering the USSR. Transformation of the entire country into a full-fledged Soviet Satellite probably will be a long and involved process.

6. Asian Regional Conferences.

Two international conferences met during May in Australia and the Philippines to consider the problem of cooperation among the non-Communist powers in South Asia but failed to take any strong concerted action. The Baguio meeting, in particular, indicated that these countries, though conscious of the Communist menace, lack either the will or the resources to organize effective resistance to this increasing threat.

At Baguio, India's neutral attitude in the cold war appeared to be largely responsible for preventing the establishment of any formal machinery for an Asian union which

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the Philippines advocated. Although the seven conference states—Australia, Ceylon, India, Indonesia, Pakistan, Thailand, and the Philippines—agreed to press their regional interests in world councils, they refused to align themselves as a group on the issue of the East-West conflict. Moreover, Conference recommendations indicated that the new independent states generally consider Communism to be an internal problem which they are most likely to defeat by strengthening their domestic economies and by raising the living standards of their peoples.

The Conference undoubtedly also took regional interests into account in promoting a settlement of the Indochina problem, on Asian terms. Impending Asian action on this problem is strongly indicated by the recent Indonesian parliamentary action calling for study of the Indochina situation and Nehru's insistence, during his visit to Indonesia, that colonialism in Southeast Asia be ended.

At Sydney, the Commonwealth conference on economic aid for Southeast Asia agreed to establish administrative machinery in Ceylon for this purpose and authorized the comparatively small sum of £8 million for technical aid over a three-year period, which was a disappointing outcome for Australia in view of its more ambitious proposals. This action followed UK policy which favored a modest Commonwealth commitment and stressed the importance of Indian participation in the efforts of the Western Powers to resist Communist aggression. The results of the Sydney meeting clearly indicated, however, that US leadership and resources will be required to take effective anti-Communist action in Southeast Asia.

7. Chinese UN Representation.

As the UN impasse over Chinese representation enters its sixth month, it seems likely that the boycott by the Soviet bloc will be extended to the September session of the General Assembly. Since the initial walkout in the Security Council last January, the legal issue of the Communists' right to represent the Chinese people in the UN has become overshadowed by considerations of national prestige in the context of the East-West power struggle. Neither Secretary-General Lie's

Moscow trip nor the London Conference of Foreign Ministers has altered the position of the major powers, which appears to have become firmer as the deadlock has continued.

Before the next General Assembly meets, new efforts will be made to enlist additional support for the Chinese Communists in order to avert the risk of a permanent Soviet withdrawal from the UN. There is widespread reluctance among the member nations to take any action which might force the USSR out of the UN. This attitude, indicated by the almost universally unfavorable reaction to the Hoover proposal to reorganize the UN without Communist members, will be an important factor in determining the vote of those countries anxious to prevent a Soviet walkout from the General Assembly because they believe it might lead to the USSR's ultimate withdrawal.

Nevertheless, many nations are convinced that UN members must not submit to Soviet blackmail tactics. In addition, they minimize the possibility of a permanent Soviet withdrawal. Consequently, they will associate themselves with the US by casting a negative vote. Thus, present indications point to a General Assembly refusal to seat the Chinese Communists, and a subsequent walkout of the Soviet bloc.

A different outcome in the General Assembly can be expected only as a result of a significant alteration either in the alignment on the question of Chinese representation on the Security Council or of the Nationalists' control over Taiwan. If the Security Council should seat the Communists, corresponding action by the Assembly would be much more likely. Despite some signs of restiveness on the part of certain Security Council members, such as Ecuador and Egypt, it is apparent that only a shift in the US position would lead to an early reversal of the Security Council's January vote. A successful Communist invasion of Taiwan prior to the Assembly session, however, would improve the Chinese Communist claim by emphasizing the tenuousness of the Nationalist right to represent China.

In the likely event that the situation should remain deadlocked until September, a Soviet boycott of the General Assembly seems as-

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sured. It is not considered likely, however, that the resultant extension of the walkout to the General Assembly will result in permanent Soviet withdrawal. The USSR probably considers its membership in the world organiza-

tion worth retaining and will resume its UN seat once Communist representatives have replaced the Chinese Nationalists. In the long run, this latter development appears unavoidable.

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